

# House File 2421 - Introduced

HOUSE FILE \_\_\_\_\_  
BY L. MILLER, BAILEY, WINCKLER,  
WESSEL=KROESCHELL, WENTHE,  
and MAY

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing for microenterprise business development by  
2 creating a statewide microenterprise financial intermediary, a  
3 microenterprise partnership program, and a grant program and  
4 making appropriations.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 6037HH 82  
7 tw/nh/5

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1 1 Section 1. Section 15.102, Code Supplement 2007, is  
1 2 amended by adding the following new subsections:  
1 3 NEW SUBSECTION. 1A. "Community microenterprise  
1 4 development organization" means a community development,  
1 5 economic development, social service, or nonprofit  
1 6 organization that provides training, access to financing, and  
1 7 technical assistance to microenterprises.  
1 8 NEW SUBSECTION. 3A. "Microenterprise" means any business  
1 9 with five or fewer employees which generally lacks collateral  
1 10 and has difficulty securing financing from conventional  
1 11 business lending sources. "Microenterprise" includes  
1 12 start-up, home-based, and self-employed businesses.  
1 13 NEW SUBSECTION. 3B. "Microloan" means a loan to a  
1 14 microenterprise in an amount not to exceed fifty thousand  
1 15 dollars.  
1 16 NEW SUBSECTION. 4A. "Statewide microenterprise  
1 17 development financial intermediary" has the meaning defined in  
1 18 section 15.114A, subsection 1.  
1 19 Sec. 2. Section 15.108, subsection 7, unnumbered paragraph  
1 20 1, Code Supplement 2007, is amended to read as follows:  
1 21 To provide assistance to small business, targeted small  
1 22 business, microenterprises, and entrepreneurs creating small  
1 23 businesses to ensure continued viability and growth. To carry  
1 24 out this responsibility, the department shall:  
1 25 Sec. 3. Section 15.108, subsection 7, Code Supplement  
1 26 2007, is amended by adding the following new paragraph:  
1 27 NEW PARAGRAPH. bb. Establish and administer the Iowa  
1 28 microenterprise development partnership program established in  
1 29 section 15.114.  
1 30 Sec. 4. NEW SECTION. 15.114 IOWA MICROENTERPRISE  
1 31 DEVELOPMENT PARTNERSHIP PROGRAM.  
1 32 The department shall establish and administer an Iowa  
1 33 microenterprise development partnership program. The program  
1 34 shall provide resources to microenterprises in the state in  
1 35 order to create jobs, enhance entrepreneurial skills, expand  
2 1 business activities, foster local economic development in  
2 2 high-need areas, and increase the capacity of low-income  
2 3 households to become economically self-sufficient.  
2 4 Sec. 5. NEW SECTION. 15.114A STATEWIDE MICROENTERPRISE  
2 5 DEVELOPMENT FINANCIAL INTERMEDIARY == MICROLOAN FUND.  
2 6 1. The department shall establish a statewide  
2 7 microenterprise development financial intermediary which shall  
2 8 perform the duties prescribed in this section. For purposes  
2 9 of this section, "statewide microenterprise development  
2 10 financial intermediary" means an independent, private  
2 11 nonprofit organization with expertise in microenterprise  
2 12 development and microlending that serves as an intermediary  
2 13 between the department of economic development and community  
2 14 microenterprise development organizations and helps those  
2 15 organizations increase their capacity to deliver services to  
2 16 microenterprises. The director of the department shall ensure

2 17 that the intermediary is not governed by individuals who are  
2 18 employed by or associated with organizations that are  
2 19 applicants for community microenterprise development  
2 20 organization grant funds pursuant to section 15.114B.  
2 21 2. The statewide microenterprise development financial  
2 22 intermediary shall do all of the following:  
2 23 a. Establish and administer a statewide microloan funds in  
2 24 the state treasury. Moneys in the fund shall be used for the  
2 25 benefit of community microenterprise development  
2 26 organizations. In administering the fund, the financial  
2 27 intermediary shall engage in efforts to attract new funds from  
2 28 the federal, state, or regional level and shall provide  
2 29 essential microloan services such as underwriting, loan  
2 30 processing, and loan servicing.  
2 31 b. Award grants to community microenterprise development  
2 32 organizations as described in section 15.114B.  
2 33 c. Provide technical assistance and business support to  
2 34 community microenterprise development organizations.  
2 35 d. Promote microlending and educate stakeholders  
3 1 throughout the state in best practices for microlending.  
3 2 e. Coordinate microenterprise development efforts with  
3 3 other economic development efforts in the state, including  
3 4 department programs such as the targeted small business  
3 5 financial assistance program in section 15.247.  
3 6 f. Provide an annual report to the department that  
3 7 describes the program's activities, measures impacts, and  
3 8 assesses outcomes. The report shall include all of the  
3 9 following:  
3 10 (1) The number of businesses started.  
3 11 (2) The number of businesses expanded.  
3 12 (3) The number of businesses stabilized.  
3 13 (4) The estimated number of jobs created.  
3 14 (5) A summary of the capital available to  
3 15 microenterprises.  
3 16 (6) A summary of activity for the statewide microloan  
3 17 fund.  
3 18 (7) The amount of nonstate funds leveraged by the  
3 19 intermediary.  
3 20 (8) Any other outcome or measurement the department  
3 21 reasonably believes necessary.  
3 22 g. Provide an annual report to the governor and the  
3 23 general assembly on the status of microenterprise development  
3 24 in the state, including the impact of microenterprises on the  
3 25 economy and the activities of and the results produced by the  
3 26 Iowa microenterprise development partnership program.  
3 27 Sec. 6. NEW SECTION. 15.114B COMMUNITY MICROENTERPRISE  
3 28 DEVELOPMENT ORGANIZATION GRANTS.  
3 29 1. The statewide microenterprise development financial  
3 30 intermediary shall award grants to community microenterprise  
3 31 development organizations. A grant shall not be awarded to a  
3 32 community microenterprise development organization unless the  
3 33 community microenterprise development organization can match  
3 34 at least twenty percent of the funds to be awarded. The  
3 35 matching funds may be from private foundations, federal or  
4 1 local government funds, financial institutions, or  
4 2 individuals.  
4 3 2. In awarding grants to community microenterprise  
4 4 development organizations, the statewide microenterprise  
4 5 development financial intermediary shall consider all of the  
4 6 following:  
4 7 a. The overall geographic diversity of the applicants for  
4 8 grants, including both urban and rural communities.  
4 9 b. The ability of a community microenterprise development  
4 10 organization to provide services to low-income individuals and  
4 11 underserved communities. In determining the ability to  
4 12 provide services, all of the following shall be considered:  
4 13 (1) The ability to identify potential microentrepreneurs  
4 14 within a community.  
4 15 (2) The capacity to perform client assessment and  
4 16 screening.  
4 17 (3) The ability to provide business training and technical  
4 18 assistance, including information about access to markets,  
4 19 business management, and financial literacy.  
4 20 (4) The capacity to provide assistance in securing  
4 21 financing.  
4 22 c. The scope of services offered and the efficient  
4 23 delivery of such services, especially to low-income and  
4 24 minority individuals.  
4 25 d. The ability to monitor the progress of clients and to  
4 26 identify those clients in need of additional technical and  
4 27 financial assistance.

4 28 e. The ability to build relationships and coordinate  
4 29 resources with other entities supporting microentrepreneurs.  
4 30 These entities may include but are not limited to community  
4 31 colleges, cooperative extension services, small business  
4 32 development centers, chambers of commerce, community economic  
4 33 development organizations, workforce centers, and community  
4 34 nonprofit service providers that serve low-income individuals.

4 35 f. The ability to coordinate activities with any targeted  
5 1 small business advocate services operating in the community.

5 2 g. The amount and sufficiency of operating funds  
5 3 available.

5 4 h. Any other criteria the financial intermediary and the  
5 5 department may reasonably agree upon.

5 6 Sec. 7. IOWA MICROENTERPRISE DEVELOPMENT PARTNERSHIP  
5 7 PROGRAM == COMMUNITY MICROENTERPRISE DEVELOPMENT ORGANIZATIONS  
5 8 == APPROPRIATION.

5 9 1. There is appropriated from the general fund of the  
5 10 state to the department of economic development for the fiscal  
5 11 year beginning July 1, 2008, and ending June 30, 2009, the  
5 12 following amount, or so much thereof as is necessary, to be  
5 13 used for the purposes designated:

5 14 For the administration of an Iowa microenterprise  
5 15 development partnership program and for competitive grants to  
5 16 community microenterprise development organizations, including  
5 17 salaries, support, maintenance, miscellaneous purposes, and  
5 18 for not more than the following full-time equivalent  
5 19 positions:

5 20 ..... \$ 1,050,000  
5 21 ..... FTEs 1.00

5 22 2. Of the moneys appropriated in subsection 1, not more  
5 23 than \$80,000 shall be expended on any one community  
5 24 microenterprise development organizations.

5 25 3. From the moneys appropriated in subsection 1, the  
5 26 department shall award grants to at least four community  
5 27 microenterprise development organizations in rural areas of  
5 28 the state that show an economic growth rate lower than the  
5 29 average economic growth rate of the state.

5 30 4. From the moneys appropriated in subsection 1, the  
5 31 department shall award grants to at least three community  
5 32 microenterprise development organizations in neighborhoods in  
5 33 urban areas of the state that show high rates of poverty and  
5 34 signs of economic distress.

5 35 5. Of the moneys appropriated in subsection 1, not more  
6 1 than \$90,000 may be used for a full-time equivalent staff  
6 2 person to administer the microenterprise development  
6 3 partnership program.

6 4 Sec. 8. STATEWIDE MICROENTERPRISE DEVELOPMENT FINANCIAL  
6 5 INTERMEDIARY == APPROPRIATION. There is appropriated from the  
6 6 general fund of the state to the department of economic  
6 7 development for the fiscal year beginning July 1, 2008, and  
6 8 ending June 30, 2009, the following amount, or so much thereof  
6 9 as is necessary, to be used for the purpose designated:

6 10 1. For establishing a statewide microenterprise  
6 11 development financial intermediary:

6 12 ..... \$ 250,000  
6 13 2. For capitalization of the microloan fund and loan loss

6 14 reserve fund administered by the financial intermediary:

6 15 ..... \$ 250,000

#### 6 16 EXPLANATION

6 17 This bill relates to microenterprise business development.  
6 18 Microenterprises are businesses with fewer than five employees  
6 19 that lack collateral for loans and have difficulty securing  
6 20 financing.

6 21 The bill directs the department of economic development to  
6 22 establish an Iowa microenterprise development partnership  
6 23 program to assist microenterprises in business management and  
6 24 the development of entrepreneurial skills.

6 25 The bill also directs the department to establish a  
6 26 statewide microenterprise financial intermediary to administer  
6 27 a microloan program, award grants to community microenterprise  
6 28 development organizations, provide technical assistance and  
6 29 business support to community microenterprise development  
6 30 organizations, promote microlending and educate stakeholders  
6 31 throughout the state in best practices for microlending, and  
6 32 coordinate microenterprise development efforts with other  
6 33 entities. The statewide microenterprise financial  
6 34 intermediary must submit annual reports on its activities to  
6 35 the department and to the governor and the general assembly.

7 1 The bill creates a competitive grant program for community  
7 2 microenterprise development organizations to be administered  
7 3 by the statewide microenterprise financial intermediary.

7 4 The bill appropriates \$1,050,000 for FY 2008=2009 to the  
7 5 department for the creation of the partnership program and the  
7 6 awarding of the competitive grant funds.  
7 7 The bill appropriates \$250,000 for FY 2008=2009 for the  
7 8 establishment of the statewide microenterprise financial  
7 9 intermediary and another \$250,000 for the capitalization of  
7 10 the loan fund managed by the statewide microenterprise  
7 11 financial intermediary.  
7 12 LSB 6037HH 82  
7 13 tw/nh/5.1